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SIPDIS  
SENSITIVE

STATE FOR EUR/UMB, EB/TPP/BTA, EB/TPP/MTAA (APRATTIPATI)  
STATE PLEASE PASS TO USTR FOR EBRZYTWA, JKEMP, CSMOTHERS  
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USDA FOR FAS/ONA AND FAS/OCRA  
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E.O.: 12958: N/A

TAGS: [ETRD](#) [WTRO](#) [PGOV](#) [UP](#)

SUBJECT: UKRAINE AMENABLE TO OUR WTO PROPOSAL ON EXPORT  
LICENSING, WORKING ON OTHER TRADE IRRITANTS

REFS: A) STATE 50680  
B) Yarnell-Desk Email of 5/14  
C) KYIV 777  
D) KYIV 497

¶1. (SBU) Summary: We delivered ref A demarche concerning our WTO export licensing proposal to the GOU on June 2. The Ministry of Economy, the key GOU agency on trade-related issues, supports our initiative and is now seeking interagency clearance on an official GOU position. The Ukrainians appear interested in any measure that they think might introduce transparency in the trade of hydrocarbons. Regarding bilateral trade irritants, the GOU appears to be planning to cancel the 13 percent import tariff surcharge that remains in effect for cars and refrigerators. Meanwhile, however, there have been calls from domestic producers and the President to introduce new barriers to agricultural imports; the GOU is for now trying to resist that pressure. Ukraine's ban on imported U.S. pork due to H1N1 influenza fears remains in effect, and the Ministry of Economy is frustrated with the Veterinary Service's slow response in reviewing the measure. End Summary.

#### Export Licensing Initiative

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¶2. (SBU) Econoff delivered ref A talking points and materials regarding our proposal at the WTO for increased transparency on export licensing to Volodymyr Baluta, Head of the Ministry of Economy's WTO Department, on June 12. Baluta said he was now drafting an interagency notice on the export licensing proposal in order to finalize the GOU position. Baluta noted that the Ministry of Economy, which takes the lead in all trade negotiations, supported the initiative and said he expected other Ministries to follow suit. Baluta added that he saw the initiative as particularly targeting exports of raw materials and hoped it would be a first step towards more transparency in the export of hydrocarbons. (Comment: Baluta appears very focused on the potential to extend WTO rules to the oil and gas sectors, as he has mentioned the issue at almost every recent meeting with Econoffs. End comment.)

#### 13 Percent Import Tariff Surcharge

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¶3. (SBU) Baluta reported that, during the week of May 25, PM Tymoshenko tasked the Ministry of Economy to draft a Cabinet of Ministers Resolution to cancel the 13 percent

import tariff surcharge remaining on automobiles and refrigerators (ref D). (Comment: Such a directive from the PM suggests that the GOU intends to cancel the remaining tariff hikes within a few weeks, although other members of the Cabinet could still try to derail the effort. End comment.) Baluta also noted that, while Ukraine went ahead with its justification for the tariff surcharge at the WTO, the Ministry of Economy was anticipating a condemnation by the WTO Balance-of-Payments Committee, since Ukraine's balance-of-payments crisis had clearly abated.

14. (SBU) Econoff expressed concern regarding recent calls for increased protection for domestic agricultural producers, particularly Presidential Decree No. 378, issued on May 29, which called on the government to reconsider a tariff surcharge on imported meat. Baluta said that the Ministry of Economy opposed such calls for increased import barriers and was drafting a note to the Presidential Secretariat explaining the negative consequences of raising import duties, including possible retaliation by other WTO members.

H1N1 Influenza Pork Ban  
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15. (SBU) Following up on his promise to examine Ukraine's import ban on U.S. pork due to H1N1 influenza fears (ref C), Baluta said that Deputy Minister of Economy Valeriy Pyatnytskiy had sent a letter of inquiry to the Veterinary Service. Much to the Ministry of Economy's chagrin, said Baluta, the Vets had not yet officially

KYIV 00000948 002 OF 002

responded. He noted that, in informal discussions, the Vets indicated they planned to maintain the ban until as late as the end of June. (Comment: Chief Vet Petro Verbitskiy told the press on May 13 that the ban would soon be lifted (ref B). We are not sure if Verbitskiy was being duplicitous, or if bureaucracy intransigence at the Veterinary Service is to blame for the import ban's continuation. End comment.)

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